CONTRARIUS

QUARTERLY INVESTOR COMMENTARY
31 DECEMBER 2014

CONTRARIUS GLOBAL EQUITY FUND

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The Fund aims to earn a higher Total Rate of Return than the average of the world's equity markets, as represented by the MSCI World Index, including the reinvestment of dividends net of withholding tax ("World Index"). It aims to achieve this without greater risk of loss, over the long-term. The Fund is an actively managed fund, and as such does not in any way seek to replicate its benchmark index, but may instead differ materially from the performance benchmark in order to achieve its objective.

CONTRARIUS GLOBAL EQUITY FUND AT 31 DECEMBER 2014

Total Rate of Return in US Dollars	Class	Since Inception on 1 Jan 2009	Latest 5 Years	Latest 3 Years	Latest 1 Year	Latest Quarter
			% Annualised		*% Not Annualised*	
Contrarius Global Equity	**Investor**	**23.0**	**12.2**	**18.0**	**(3.6)**	**2.8**
Contrarius Global Equity	**Institutional**	**23.5**	**12.7**	**18.5**	**(3.1)**	**2.9**
World Index		13.3	10.2	15.5	4.9	1.0

Past performance is not a reliable indicator of future results.

The Fund's Investor Class shares returned 2.8% for the quarter versus 1.0% for the benchmark MSCI World Index, including reinvested net income. For the year, the Fund returned (3.6)% versus 4.9% for its benchmark index. As we have highlighted previously, our investment philosophy is not benchmark cognisant and our portfolios would normally vary materially from the benchmark World Index. The Fund's returns are therefore likely to deviate from those of the benchmark. Investors are reminded that given the long-term, contrarian, valuation-based investment philosophy, there will be times when the Fund will materially underperform its benchmark in the short-term in order to achieve its objective of long-term outperformance.

The Fund remains overweight Consumer Discretionary and Technology stocks. Our bottom-up analysis of individual stocks has also uncovered further attractive opportunities among selected Materials stocks. In terms of geographic exposure, the Fund continues to be significantly underweight European equities and overweight Japanese equities. The Fund maintains its overweight exposure to shares outside the major developed markets.

Sector Exposure 31 December 2014	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	0	8	(8)
Materials	16	5	11
Industrials	0	11	(11)
Consumer Discretionary	32	12	19
Consumer Staples	13	10	3
Health Care	0	13	(12)
Financials	12	21	(9)
Information Technology	26	13	13
Telecommunication Services	0	3	(3)
Utilities	0	3	(3)
Total Shares	99	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

[1] *Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')*

Geographic Exposure 31 December 2014	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	56	62	(6)
Europe	14	25	(11)
Japan	11	8	4
Other	17	5	12
Total Shares	99	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

[1] *Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')*

MANAGER	SUB-INVESTMENT MANAGER	INVESTMENT ADVISOR	CUSTODIAN
Contrarius Investment Management Limited	Contrarius Investment Management (Bermuda) Limited	Contrarius Investment Advisory Limited	Deutsche Bank International Limited

THE NEW YORK TIMES

The New York Times Co ("NYT") is one of the Fund's largest holdings, and has been for some time. As long-term, contrarian, valuation-based investors we believe that the NYT offers substantial value. The market seems to disagree—over the last year the share contributed negatively to the performance of the Fund. The question therefore, is whether we have made a mistake in our assessment of the long-term value of the NYT, or whether the market has not yet realised its true value.

The New York Times Co	Dec-14 US$'m	Dec-10 US$'m
Market Capitalisation	1,987	1,432
Net (cash)/debt excl option to repurchase portion of head office building	(524)	384
Option to repurchase portion of head office building	231	217
Enterprise Value incl property	**1,694**	**2,033**

Market prices as of 31 December, accounting data as at relevant latest available quarter end. Market capitalisation is before exercise of outstanding warrants.
Source: Bloomberg, Contrarius Research

Since the beginning of 2011 the share price of the NYT has increased from $9.80 to $13.22, in line with the MSCI World Index. Its enterprise value (including property) has however declined from $2,033m to $1,694m. During this time the company has moved from having net debt to net cash. It has done this mainly through the sale of non-core businesses – including stakes in Fenway Sports Group (the owners of The Boston Red Socks and Liverpool Football Club), the About Group, its Regional Media Group, The Boston Globe and a minority holding in Indeed.com. It has also rebranded The International Herald Tribune to the International New York Times. This has left a more focused company with a very strong balance sheet. Its pension fund deficit has also been substantially reduced over this period as US equity markets have recovered.

Like other newspaper businesses, the NYT has suffered from the tumultuous reshaping of the industry in recent years. But it has also been proactive. Helped by its desirable content and strong brand, it has been a leader in converting print readers into digital readers with one of the earliest and most successful paywalls in the industry (introduced in early 2011). It now has 875,000 digital subscribers and in the last quarter added 44,000 digital subscribers, increasingly from outside of the US. This nonetheless pales in comparison to its global reach: its digital properties had almost 90 million visitors in October 2014. The NYT has thus, in the last four years, transformed itself from a largely US home delivery newspaper company into a global digital content producer.

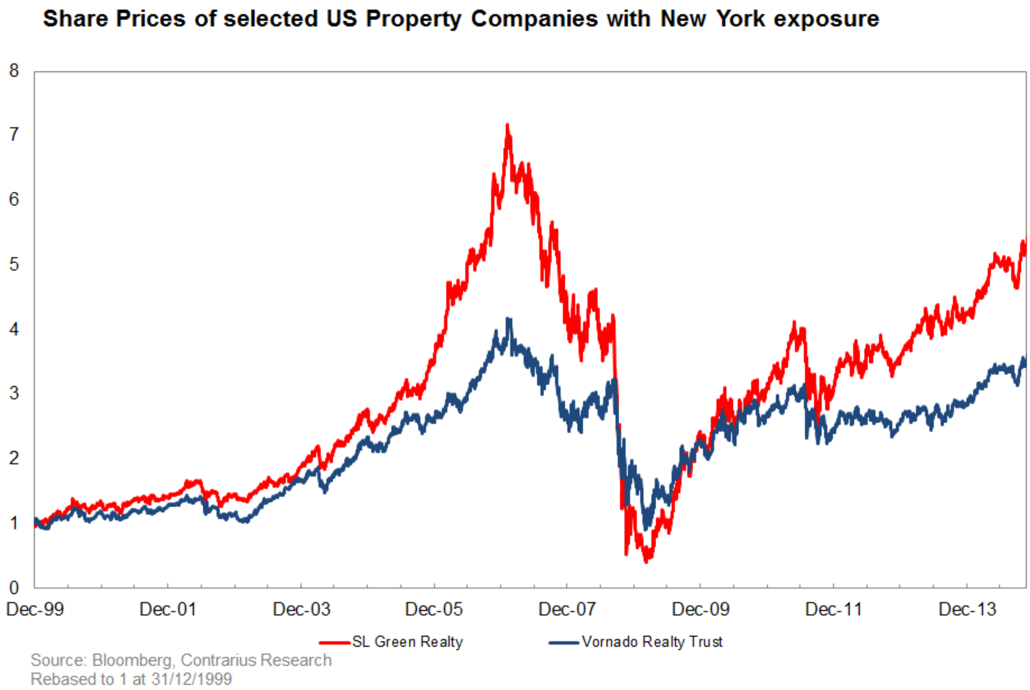
Although the NYT continues to adapt and experiment, its business model is already far more robust. The number of digital subscribers seems to indicate that consumers are becoming ever more comfortable with paying for quality content (a phenomenon that we have also noticed in other areas of media). Circulation revenue (which includes digital) is growing again and, in the latest reported quarter, made up 57% of total revenue. Now that circulation accounts for the majority of sales, overall sales appear to have stabilised at about $1.6bn as the growth of circulation offsets the continued decline of print advertising. Since the business is still in transition revenue may drop in some quarters, but we believe that, from today's base, revenue is likely to grow over time as the digital contribution makes more and more impact.

As it transforms, we expect the NYT to have growing revenues, operating margins and returns on equity. We believe that all of this makes it a very attractive long-term investment. It is surprising to us that a company that has adapted to this extent can be acquired at a lower enterprise value than in early 2011. And yet, in the discussion so far, we haven't even considered one of the NYT's most valuable assets.

In March 2009, in the depths of the financial crisis, the NYT's world looked rather different: the United States was in recession, print advertising was plummeting, and the company had considerable short-term debt with net debt of about $1bn. One of the actions taken to raise capital was to enter into a sale and leaseback on 21 of the 28 floors of its leasehold condominium interest in its head office building in New York. The extremely discounted sale price of $225m reflected the depressed environment at the time. It was essentially a financing transaction and the NYT accounts for the rent that it pays as 'interest expense' in its income statement. The NYT has the option to repurchase this interest for $250m in 2019. The enterprise value calculation above shows this option to repurchase (in present value terms) as debt. Once this option is exercised in 2019, the NYT will again own a 58% leasehold condominium interest in the NYT New York head office building.

Why is this significant? The head office building was only completed in 2007 and is the fifth tallest building in New York City and in a prime location near Times Square. Their effective interest amounts to approximately 828,000 gross square feet of relatively newly built prime office space in one of the most attractive locations in the world.

The valuation environment for office space in New York is significantly different to 2009, with the Green Street Midtown Manhattan Office Price Index more than doubling over this period (and with 19% growth in the most recent 12 months). This is reflected in the share prices of REITs that have substantial exposure to New York. The chart below shows the performance of two of the largest property REITs, both of which generate a majority of their rental revenues from New York.



In addition, recent transactions on similar properties indicate potential value per square foot of between $1,220 and $1,364. If you were to assume a value of $1,220 per square foot, the NYT's interest would be valued at about $1bn, well over half its current enterprise value. An even more conservative valuation would still result in a very low implied value for the operational business of the New York Times and provide considerable support for what is already an attractive investment opportunity. Indeed, given the changing nature of the business, the NYT is likely to require fewer employees over time and may not need to operate from expensive prime office space.

So why does the market not seem to recognise this value? In addition, probably, to perceiving the NYT as a newspaper business subject to ongoing structural change, there may also be concerns that the value may never be realized due to the concentrated control of the company.

The NYT has two classes of stock (Class A and Class B). While holders of Class A stock are entitled to elect 30% of the Board of Directors, the remaining 70% is elected by the holders of Class B stock. The Class B stock is principally held by descendants of A.S. Ochs, with a family trust holding approximately 90% of the Class B stock. There are only 816,635 Class B shares compared to over 150m Class A shares. The company is therefore controlled by owners that have a relatively small economic ownership interest in the business. This may discourage some investors who may not see a mechanism for value to be unlocked for the benefit of all shareholders. Our experience, however, is that the value of investments, even with control structures, is eventually reflected in the share price. Maybe the market will finally appreciate the value in the company as it grows and pays a more meaningful dividend; or maybe the controlling family will become impatient to see meaningful value in their own hands. We are patient, long-term, valuation-based investors and believe that the NYT is an exceptional long-term investment opportunity, despite its recent short-term underperformance.

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